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S E C R E T SECTION 01 OF 02 NEW DELHI 009435

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SUBJECT: SARAN: INPA SANCTIONS AT ODDS WITH BILATERAL  
RELATIONSHIP

REF: STATE 225179

Classified By: Ambassador David C. Mulford for Reasons 1.4 (B, D)

11. (S) Summary: Responding to the Ambassador's December 15 presentation of the US decision to impose sanctions on Indian entities, Foreign Secretary Shyam Saran highlighted the danger that public awareness of prior GOI action regarding companies being sanctioned for activities that violate neither Indian law nor international obligations could jeopardize future US-India cooperation in interdicting proliferation of sensitive materials and technology. Saran noted that the GOI had "acted promptly and expeditiously" every time the US came forward with export control cases of concern, and lamented the fact that India seemed to be "damned if we do, damned if we don't." End Summary.

Saran: India Has Acted Expeditiously in Each Case  
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12. (S) The Ambassador emphasized the positive public impact of the USG's decision to rescind sanctions wrongly imposed on Dr. Surendra in 2004, and highlighted that the upcoming imposition of the sanctions on Sandhya and Sabero was in no way an action against the Government of India. Saran expressed his appreciation for the Surendra decision and thanked the Ambassador for early notification of the new sanctions, but commented that the GOI has acted "promptly and expeditiously" in each case that the USG has brought to its attention, and said that he "hoped you would take that into account." New Delhi will look at the details of the cases and see what reaction is necessary, he added.

Sanctions Can Hamper Confidential Cooperation  
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13. (S) The Foreign Secretary requested that we consider India's actions in "a couple of cases" where it has acted to block sales in cases where the transaction violates no Indian laws or CWC obligations. "You should tread carefully" in those cases, he declared, stressing that "I hope we don't get embarrassed by that." He flagged strongly his concern that India's confidential cooperation in such cases would be jeopardized by "any hint" that the GOI is acting on the USG's

behalf for items that were not/not proscribed under India's obligations. A sanction being imposed against a company that violated Indian laws is not serious, he continued, but "it is not in your interest to broadcast" the new penalties, because it means that New Delhi will be less able to be helpful in the next case. "I don't think this is the way to advance our new cooperative relationship," he concluded.

¶4. (S) PolCouns noted our hope that the "catch-all" provisions of India's new WMD law will make it possible for the GOI to take legal action even in cases like the Sabero transaction where there is no apparent violation of international regimes. Saran, however, again pointed out that India could not be expected to contradict its own laws and interests, particularly in cases where international regimes such as the OPCW have no objection to the transaction.

MEA Will Help Manage Public Announcement  
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¶5. (S) Additional Secretary (UN and International Security) KC Singh, conferring with the Ambassador at the conclusion of the meeting, committed to review the details of the cases and consult with us on next steps. PolCouns urged a public focus on the withdrawal of sanctions against Surendra and shared a copy of reftel non-paper. "We'll have to see how we can best manage this" to avoid interrupting the growing US-India relationship, Singh stated.

¶6. (S) COMMENT: Although the Ambassador drew directly from reftel talking points, he did not leave them behind, and would ask that they be used only orally in Washington, since a paper copy floating around the GOI will make it harder to

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manage.

¶7. (U) Visit New Delhi's Classified Website:  
(<http://www.state.sgov.gov/p/sa/newdelhi/>)  
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